

STATE OF LOUISIANA LEGISLATIVE AUDITOR

South Louisiana Community College
Louisiana Community and
Technical College System
State of Louisiana
Lafayette, Louisiana

November 21, 2002



Financial and Compliance Audit Division

Daniel G. Kyle, Ph.D., CPA, CFE
Legislative Auditor

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LEGISLATIVE AUDITOR

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**SOUTH LOUISIANA COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA
Lafayette, Louisiana**

**Basic Financial Statements and
Independent Auditor's Reports
As of and for the Year Ended June 30, 2002**

Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report has been made available for public inspection at the Baton Rouge office of the Legislative Auditor and at the office of the parish clerk of court.

November 21, 2002

**SOUTH LOUISIANA COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA**

Basic Financial Statements and
Independent Auditor's Reports
As of and for the Year Ended June 30, 2002

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LEGISLATIVE AUDITOR

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November 1, 2002

Independent Auditor's Report
on the Financial Statements

SOUTH LOUISIANA COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA
Lafayette, Louisiana

We have audited the accompanying basic financial statements of South Louisiana Community College, a college within the Louisiana Community and Technical College System, a component unit of the State of Louisiana, as of and for the year ended June 30, 2002. These financial statements are the responsibility of management of South Louisiana Community College. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of South Louisiana Community College as of June 30, 2002, and its changes in financial position, including cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in notes 4 and 14 to the financial statements, the state changed its capitalization policy for fixed assets, and South Louisiana Community College adopted the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, as amended by GASB No. 35, as of July 1, 2001.


In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2002, on our consideration of South Louisiana Community College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

LEGISLATIVE AUDITOR

**SOUTH LOUISIANA COMMUNITY COLLEGE
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STATE OF LOUISIANA**
Audit Report, June 30, 2002

Management's discussion and analysis on pages 4 through 10 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Respectfully submitted,


Daniel G. Kyle, CPA, CFE
Legislative Auditor

EPM:BMcC:PEP:dl

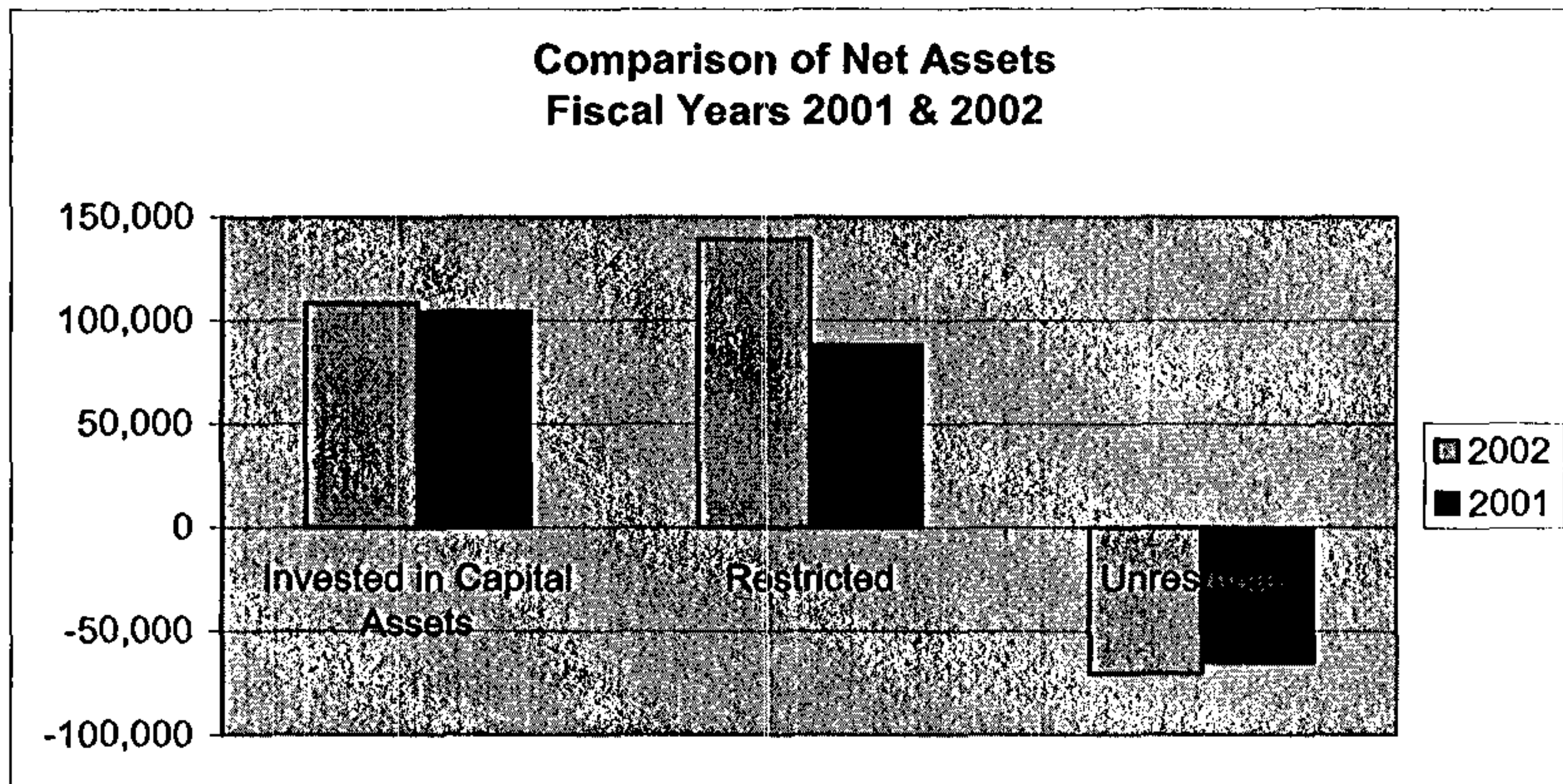
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**SOUTH LOUISIANA COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA**

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the South Louisiana Community College's (SLCC) annual financial report presents a discussion and analysis of SLCC's financial performance during the fiscal year that ended June 30, 2002. Please read this section in conjunction with SLCC's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS



SLCC's net assets overall changed from \$98,435 to \$176,882 or 80% from June 30, 2001, to June 30, 2002. The increase was the result of a supplemental appropriation for enrollment growth, increases in tuition and fees because of an enrollment increase, and a 3% increase in the cost of tuition and fees.

Enrollment changed from 764 to 1,021 from June 30, 2001, to June 30, 2002, a change of 34%. The reason for this change is attributed to enrollment growth of the emerging community college.

SLCC's operating revenues changed from \$800,024 to \$1,028,509 or 29% from June 30, 2001, to June 30, 2002. Operating expenses, however, changed by 22% to \$3,493,159 for the year ended June 30, 2002. The changes in enrollment as discussed above are the primary reason for this change.

**SOUTH LOUISIANA COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
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Management's Discussion and Analysis (Continued)**

Nonoperating revenues (expenses) fluctuate depending upon levels of state operating and capital appropriations. The change to \$2,543,097 in 2002 from \$2,102,892 in 2001 is attributed to enrollment growth.

OVERVIEW OF THE FINANCIAL STATEMENTS

This financial report consists of three parts: *Management's Discussion and Analysis* (this section), the basic financial statements, and the notes to the financial statements.

The basic financial statements present information for the college as a whole, in a format designed to make the statements easier for the reader to understand. The statements in this section include the Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Fund Net Assets; and the Statement of Cash Flows.

The Statement of Net Assets (page 11) presents the current and long-term portions of assets and liabilities separately. The difference between total assets and total liabilities is net assets and may provide a useful indicator of whether the financial position has the college improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Assets (page 12) presents information showing how the college's assets changed as a result of current year operations. Regardless of when cash is affected, all changes in net assets are reported when the underlying transactions occur. As a result, transactions are included that will not affect cash until future fiscal periods.

The Statement of Cash Flows (page 13) presents information showing how the college's cash changed as a result of current year operations. The cash flow statement is prepared using the direct method and includes the reconciliation of operating income (loss) to net cash provided (used) by operating activities (indirect method) as required by GASB 34.

The financial statements provide both long-term and short-term information about SLCC's overall financial status. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

SLCC's financial statements are prepared on an accrual basis in conformity with accounting principles generally accepted in the United States of America as applied to government units. Under this basis of accounting, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred, and depreciation of assets is recognized in the Statements of Revenues, Expenses, and Changes in Net Assets. All assets and liabilities associated with the operation of the college are included in the Statement of Net Assets.

**SOUTH LOUISIANA COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
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Management's Discussion and Analysis (Continued)**

FINANCIAL ANALYSIS

Net Assets

SLCC's total net assets at June 30, 2002 changed by \$78,447, an 80% increase over June 30, 2001 (see Table A-1). Total assets increased 7% to \$674,655, and total liabilities decreased slightly to \$497,773.

Table A-1
South Louisiana Community College
Statement of Net Assets

	2002	2001	Increase (Decrease) Percentage
Current assets	\$566,531	\$520,646	9%
Capital assets	108,124	107,203	1%
Total assets	<u>674,655</u>	<u>627,849</u>	7%
Current liabilities	318,438	361,601	-12%
Long-term liabilities	179,335	167,813	7%
Total liabilities	<u>497,773</u>	<u>529,414</u>	6%
Net assets:			
Invested in capital assets, net of related debt	108,124	107,203	1%
Restricted	139,082	88,130	58%
Unrestricted (deficit)	<u>(70,324)</u>	<u>(96,898)</u>	27%
Total net assets	<u>\$176,882</u>	<u>\$98,435</u>	80%

This schedule is prepared from SLCC's Statement of Net Assets as shown on page 11, which is presented on an accrual basis of accounting whereby assets are capitalized and depreciated.

Restricted net assets increased by 58%, primarily because of the establishment of the technology fund and increased enrollments for the fiscal year ended June 30, 2002. Increases in total net assets resulted from an increase in receivables, deferred revenues, compensated absences, and a slight increase in grant activity.

The current ratio of SLCC's assets to liabilities is 1.78:1 at June 30, 2002, which is considered good.

**SOUTH LOUISIANA COMMUNITY COLLEGE
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Management's Discussion and Analysis (Continued)

Net assets invested in capital assets, net of related debt consists of capital assets net of accumulated depreciation and reduced by the amount of outstanding indebtedness attributable to the acquisition, construction, or improvement of those assets.

Changes In Net Assets

The change in net assets at June 30, 2002, is \$78,447 or 62% more than at June 30, 2001. SLCC's total operating revenues increased by 29% to \$1,028,509, and total operating expenses increased 22% to approximately \$3,493,159. The changes in net assets are detailed in Table A-2; general and education expenses are detailed in Table A-3. The increase was the result of a supplemental appropriation for enrollment growth, increases in tuition and fees because of an enrollment increase, and a 3% increase in the cost of tuition and fees.

Table A-2
South Louisiana Community College
Statement of Changes in Net Assets

	2002	2001	Increase (Decrease) Percentage
Operating revenues:			
Student tuition and fees, net	\$808,664	\$592,223	37%
Auxiliary	9,166	10,000	-8%
Other	210,679	197,801	7%
Total operating revenues	<u>1,028,509</u>	<u>800,024</u>	29%
Operating expenses -			
education and general	<u>3,493,159</u>	<u>2,854,687</u>	22%
Total operating expenses	<u>3,493,159</u>	<u>2,854,687</u>	22%
Operating loss	(2,464,650)	(2,054,663)	-20%
Nonoperating revenues -			
state appropriation	<u>2,543,097</u>	<u>2,102,892</u>	21%
Change in net assets	78,447	48,229	62%
Total net assets, beginning of the year	<u>98,435</u>	<u>50,206</u>	96%
Total net assets, end of the year	<u><u>\$176,882</u></u>	<u><u>\$98,435</u></u>	80%

**SOUTH LOUISIANA COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
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Management's Discussion and Analysis (Continued)

Tuition and fees, net of scholarship allowances, increased by 37% to \$808,664 in 2002. The increase was caused by a tuition rate increase of 3% and an enrollment increase during the same period. The primary increase in operating expenses represents an increase in Instruction for adjunct instruction and Operations and Maintenance of Plant for rental expense.

Nonoperating revenues increased by 21% to \$2,543,097, primarily attributable to supplemental funding for enrollment growth.

Table A-3
South Louisiana Community College
Education and General Expenses

	<u>2002</u>	<u>2001</u>	<u>Increase (Decrease) Percentage</u>
Education and general expenses:			
Instruction	\$1,195,667	\$770,142	55%
Research			
Public service			
Academic support	412,875	442,799	-7%
Student services	305,937	241,920	26%
Institutional support	1,160,502	1,158,926	1%
Operations and maintenance of plant	369,352	171,179	116%
Depreciation	<u>35,684</u>	<u>31,491</u>	13%
Total	<u>\$3,480,017</u>	<u>\$2,816,457</u>	24%

Total education and general expenses changed from \$2,816,457 in 2001 to \$3,480,017 in 2002, the change that is primarily attributable to an increase in adjunct instruction and rental expense for an academic/administrative facility in Lafayette. The increase for adjunct instruction is reflected in the 55% increase in the functional category of Instruction and the rental expense is shown in the 116% increase in Operations and Maintenance of Plant. Also, the increase in Student Services resulted from increased personnel, Financial Aid Director, and other temporary personnel.

Depreciation expense increased by 13% to \$35,684 as a result of additional property and equipment placed in service in 2002 and 2001.

**SOUTH LOUISIANA COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
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Management's Discussion and Analysis (Continued)

Statement of Cash Flows

Another way to assess the financial health of SLCC is to look at the Statement of Cash Flows. The Statement of Cash Flows assists readers of this statement to assess:

- The ability to generate future cash flows
- The ability to meet obligations as they come due
- A need for external financing

Table A-4
South Louisiana Community College
Statement of Cash Flows

	<u>2002</u>	<u>2001</u>	<u>Increase (Decrease) Percentage</u>
Cash provided(used) by:			
Operating activities	(\$2,462,933)	(\$1,832,335)	34%
Capital financing activities	(36,605)	(76,396)	-52%
Noncapital financing activities	<u>2,426,553</u>	<u>1,840,131</u>	32%
Net decrease in cash	(72,985)	(68,600)	6%
Cash:			
Beginning of year	<u>447,797</u>	<u>516,397</u>	-13%
End of year	<u><u>\$374,812</u></u>	<u><u>\$447,797</u></u>	-16%

As summarized in Table A-4, major sources of funds in operating activities include tuition and fees of \$909,318; auxiliary enterprises of \$9,166; and grants and contracts of \$169,652.

Cash outlays include payment of wages, benefits, supplies, utilities and scholarships. Overall, net cash used by operations increased, reflecting the growth of the institution.

The largest source of cash flows from noncapital financing activities is from state appropriations, which totaled \$2,426,553 for fiscal year 2002. Appropriations increased by 32% over fiscal year 2001.

**SOUTH LOUISIANA COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
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Management's Discussion and Analysis (Concluded)**

Cash flows from capital financing activities primarily resulted from the purchase of capital assets. Cash used by capital financing activities of \$36,605 decreased by 52% when compared to the prior fiscal year.

SLCC had no cash flows from investing activities for fiscal year ending June 30, 2002.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2002, SLCC had invested approximately \$201,285 in capital assets. Net of accumulated depreciation, SLCC's net capital assets at June 30, 2002 total approximately \$108,124. This amount represents a net increase (including additions and disposals, net of depreciation) over June 30, 2001. See note 4 to the financial statements for detailed capital assets changes.

Debt Administration

SLCC carries no long-term debt, other than accruals for compensated absences. The accrual for compensated absences consists of the long-term portion of employee annual and sick leave in accordance with state law and administrative regulations.

See note 10 for details relating to changes in and the composition of long-term liabilities.

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

The following currently known facts, decisions, or conditions are expected to have an effect on the financial position of the institution. The economic position of SLCC is closely tied to the State of Louisiana. A slow down in the state's economy would have a negative impact on the college. As a developing community college, the institution is largely dependent upon ongoing financial and political support from state government.

CONTACTING SLCC'S FINANCIAL MANAGEMENT

This financial report is designed to provide our legislature, state officials, the Louisiana Legislative Auditor's Office, patrons, and other interested parties with a general overview of SLCC's finances and to demonstrate SLCC's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Vice Chancellor for Administration and Finance at (337) 984-3684.

**SOUTH LOUISIANA COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA**

Statement of Net Assets, June 30, 2002

ASSETS

Current assets:

Cash (note 2)	\$374,812
Receivables, net (note 3)	67,401
Due from state treasury	116,544
Due from Louisiana Community and Technical College System	<u>7,774</u>
Total current assets	566,531

Noncurrent assets -

capital assets, net (note 4)	<u>108,124</u>
Total assets	<u>674,655</u>

LIABILITIES

Current liabilities:

Accounts payable and accruals (note 5)	229,408
Due to state treasury (note 9)	42,147
Deferred revenues	44,651
Compensated absences payable (note 10)	<u>2,232</u>
Total current liabilities	318,438

Noncurrent liabilities -

compensated absences payable (note 10)	<u>179,335</u>
Total liabilities	<u>497,773</u>

NET ASSETS

Investment in capital assets (note 4)	108,124
Restricted - expendable (note 13)	139,082
Unrestricted (note 13)	<u>(70,324)</u>
Total net assets	<u>\$176,882</u>

The accompanying notes are an integral part of this statement.

**SOUTH LOUISIANA COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
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**Statement of Revenues, Expenses,
and Changes in Net Assets
For the Year Ended June 30, 2002**

OPERATING REVENUES

Student tuition and fees	\$975,317
Less scholarship allowances	<u>(166,653)</u>
Net student tuition and fees	808,664
Federal grants and contracts	125,990
State and local grants and contracts	81,229
Auxiliary enterprise revenues	9,166
Other operating revenues	<u>3,460</u>
Total operating revenues	<u>1,028,509</u>

OPERATING EXPENSES

Educational and general:	
Instruction	1,195,667
Academic support	412,875
Student services	305,937
Institutional support	1,160,502
Operations and maintenance of plant	369,352
Depreciation	35,684
Other operating expenses	<u>13,142</u>
Total operating expenses	<u>3,493,159</u>

OPERATING LOSS (2,464,650)

NONOPERATING REVENUES

State appropriations	<u>2,543,097</u>
----------------------	------------------

INCREASE IN NET ASSETS 78,447

**NET ASSETS AT THE BEGINNING OF THE YEAR,
AS RESTATED (note 14)**

98,435

NET ASSETS AT THE END OF THE YEAR

\$176,882

The accompanying notes are an integral part of this statement.

**SOUTH LOUISIANA COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA**

**Statement of Cash Flows
For the Year Ended June 30, 2002**

CASH FLOWS FROM OPERATING ACTIVITIES

Tuition and fees	\$909,318
Grants and contracts	169,652
Payments to suppliers	(979,800)
Payments for utilities	(93,068)
Payments to employees	(2,103,725)
Payments for benefits	(344,703)
Sales and services of educational departments	(33,532)
Auxiliary enterprise charges	9,166
Other receipts	3,759
Net cash used by operating activities	<u>(2,462,933)</u>

**CASH FLOWS FROM NONCAPITAL
FINANCING ACTIVITIES**

State appropriations	2,426,553
TOPS receipts	16,080
TOPS disbursements	<u>(16,080)</u>
Net cash provided by noncapital financing sources	2,426,553

**CASH FLOWS FROM CAPITAL AND
RELATED FINANCING ACTIVITIES**

Purchases of capital assets	<u>(36,605)</u>
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NET DECREASE IN CASH (72,985)

CASH AT THE BEGINNING OF THE YEAR 447,797

CASH AT THE END OF THE YEAR \$374,812

(Continued)

The accompanying notes are an integral part of this statement.

**SOUTH LOUISIANA COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA
Statement of Cash Flows, 2002**

**RECONCILIATION OF NET LOSS TO NET CASH
PROVIDED BY OPERATING ACTIVITIES**

Operating loss	(\$2,464,650)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation expense	35,684
Changes in assets and liabilities:	
Increase in accounts receivable	(4,183)
Decrease in due from Louisiana Community and Technical College System	1,857
Increase in due to state treasury	29,121
Decrease in accounts payable	(89,203)
Increase in deferred revenue	15,299
Increase in compensated absences	<u>13,142</u>
Net cash used by operating activities	<u><u>(\$2,462,933)</u></u>

Noncash and Noncapital Financing Transactions

The college provided noncash scholarships totaling \$166,653.

(Concluded)

The accompanying notes are an integral part of this statement.

**SOUTH LOUISIANA COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA**

Notes to the Financial Statements
As of and for the Year Ended June 30, 2002

INTRODUCTION

South Louisiana Community College is a publicly supported, state mandated institution of higher education. The college is a part of the Louisiana Community and Technical College System, which is a component unit of the State of Louisiana, within the executive branch of government. South Louisiana Community College was enacted under Louisiana Revised Statute (R.S.) 17:3223 and is under the management and supervision of the Board of Supervisors of the Louisiana Community and Technical College System; however, the annual budget of the college and changes to the degree programs, departments of instruction, et cetera, require the approval of the Louisiana Board of Regents of Higher Education. As a state college, operations of the college's instructional programs are funded through annual lapsing appropriations made by the Louisiana Legislature.

The South Louisiana Community College main campus is located at 105 Patriot Avenue, Lafayette, Louisiana. Classes are also taught at facilities in New Iberia and Franklin. The college offers associate of art degrees in the areas of early childhood education and liberal arts; an associate of general studies; and associate of applied science degrees in general business, emergency health science, criminal justice, and industrial technology. Student enrollment was 253; 1,023; 983; and 345 for the summer (2001), fall, spring, and summer (2002) semesters, respectively, during the fiscal year 2002. The college had approximately 43 full-time faculty and staff and 69 part-time adjunct instructors for the 2001-2002 fiscal year.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*. This was followed in November 1999 by GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. As a component unit of the State of Louisiana, South Louisiana Community College is required to adopt GASB Statement Nos. 34 and 35, as amended by GASB Statement Nos. 36, 37, and 38. The financial statement presentation required by GASB Statement Nos. 34 and 35 provides a comprehensive, entity-wide perspective of the college's assets, liabilities, net assets, revenues, expenses, changes in net assets, and cash flows and replaces the fund-group perspective previously required.

**SOUTH LOUISIANA COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA**
Notes to the Financial Statements (Continued)

B. REPORTING ENTITY

GASB Codification Section 2100 has defined the governmental reporting entity to be the State of Louisiana. The college is part of the Louisiana Community and Technical College System, which is considered a component unit of the State of Louisiana because the state exercises oversight responsibility and has accountability for fiscal matters as follows: (1) a majority of the members of the governing board are appointed by the governor; (2) the state has control and exercises authority over budget matters; (3) state appropriations provide the largest percentage of total revenues; (4) the state issues bonds to finance certain construction; and (5) the college primarily serves state residents. The accompanying financial statements present information only as to the transactions of the programs of the South Louisiana Community College.

Annually, the State of Louisiana issues a comprehensive annual financial report, which includes the activity contained in the accompanying financial statements within the Louisiana Community and Technical College System amounts. The financial statements are audited by the Louisiana Legislative Auditor.

C. BASIS OF ACCOUNTING

For financial reporting purposes, the college is considered a special-purpose government engaged only in business-type activities. Accordingly, the college's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated.

The college has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The college has elected to not apply FASB pronouncements issued after the applicable date.

D. BUDGET PRACTICES

The appropriation made for the General Fund of the college is an annual lapsing appropriation established by legislative action and by Title 39 of the Louisiana Revised Statutes. The statute requires that the budget be approved by the Board of Regents for Higher Education and certain legislative and executive agencies of state government. Budget revisions are granted by the Joint Legislative Committee on the Budget. In compliance with these legal restrictions, budgets are adopted on the accrual basis of accounting, except that (1) depreciation is not recognized; (2) leave costs are treated as budgeted expenditures to the extent that they are expected to be paid; (3) summer school tuition and fees and summer school faculty salaries and related benefits for

**SOUTH LOUISIANA COMMUNITY COLLEGE
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Notes to the Financial Statements (Continued)

June are not prorated but are recognized in the succeeding year; and (4) carry forward of prior-year funds is recognized as revenue in the current year.

The budget amounts for fiscal year 2001-2002 include the original approved budget and subsequent amendments approved as follows:

Original approved budget	\$3,226,057
Amendments:	
State General Fund increases	425,460
Increases in statutory dedications	30,794
Increases in self-generated revenues	<u>400,000</u>
Total	<u><u>\$4,082,311</u></u>

The other funds of the college, although subject to internal budgeting, are not required to submit budgets for approval through the legislative budget process.

E. CASH

Cash includes cash on hand and interest-bearing demand deposits. Under state law, the college may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. Furthermore, the college may invest in certificates of deposit of state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

F. CAPITAL ASSETS

Capital assets are reported at cost at the date of acquisition or their estimated fair value at the date of donation. For movable property, the college's capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life greater than one year. Depreciation is computed using the straight-line method over the estimated useful life of the assets, 5 to 10 years for most movable property.

G. DEFERRED REVENUES

Deferred revenues include amounts received for tuition and fees prior to the end of the fiscal year but are related to the subsequent accounting period.

**SOUTH LOUISIANA COMMUNITY COLLEGE
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Notes to the Financial Statements (Continued)

H. NONCURRENT LIABILITIES

Noncurrent liabilities include estimated amounts for accrued compensated absences and other liabilities that will not be paid within the next fiscal year.

I. COMPENSATED ABSENCES

Employees accrue and accumulate annual and sick leave in accordance with state law and administrative regulations. The leave is accumulated without limitation; however, *nine-month faculty members do not accrue annual leave but are granted faculty leave during holiday periods when students are not in classes.* Employees who are considered having non-exempt status according to the guidelines contained in the Fair Labor Standards Act may be paid for compensatory leave earned.

Upon separation of employment, both classified and non-classified personnel or their heirs are compensated for accumulated annual leave not to exceed 300 hours. In addition, academic and non-classified personnel or their heirs are compensated for accumulated sick leave not to exceed 25 days upon retirement or death. Unused annual leave in excess of 300 hours plus unused sick leave are used to compute retirement benefits.

Upon termination or transfer, an employee will be paid for any time and one-half compensatory leave earned and *may or may not be paid for any straight hour-for-hour compensatory leave earned.* Compensation paid will be based on the employee's hourly rate of pay at termination or transfer.

J. NET ASSETS

The college's net assets are classified as follows:

(1) INVESTED IN CAPITAL ASSETS

This represents the college's total investment in capital assets, net of accumulated depreciation. The college does not have any outstanding debt obligations related to acquisition, construction, or improvement of those capital assets.

(2) RESTRICTED NET ASSETS - EXPENDABLE

Restricted expendable net assets include resources that the college is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

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Notes to the Financial Statements (Continued)

(3) UNRESTRICTED NET ASSETS

Unrestricted net assets represent resources derived from student tuition and fees, state appropriations, and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the college and may be used at the discretion of the governing board to meet current expenses and for any purpose.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the college's policy is to first apply the expense toward unrestricted resources and then toward restricted resources.

K. CLASSIFICATION OF REVENUES

The college has classified its revenues as either operating or nonoperating revenues according to the following criteria:

- (1) OPERATING REVENUE** - Operating revenue includes activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances; (2) sales and services of auxiliary enterprises; and (3) most federal, state, and local grants and contracts.
- (2) NONOPERATING REVENUE** - Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions and state appropriations.

L. SCHOLARSHIP DISCOUNTS AND ALLOWANCES

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses, and Changes in Net Assets. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the college and the amount that is paid by students and/or third parties making payments on the students' behalf.

2. CASH

At June 30, 2002, the college has cash (book balances) totaling \$374,812. Of this amount, the college has \$500 cash on hand (petty cash), \$124,553 in interest-bearing demand deposits, and \$249,759 in cash with state treasurer.

LEGISLATIVE AUDITOR

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Notes to the Financial Statements (Continued)

Under state law, all deposits (or resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. At June 30, 2002, the college has \$125,391 in deposits (collected bank balances). These deposits are secured from risk by \$106,287 of federal deposit insurance (GASB Category 1) and \$19,104 of pledged securities held by custodial banks for the account of the college for which there are no collateral security agreements (GASB Category 3).

Included in cash is cash available to the college within the state treasury totaling \$239,154. These amounts are secured by fiscal agent banks established by the state treasury independent of the college.

3. ACCOUNTS RECEIVABLE

Accounts receivable are shown on Statement A net of an allowance for doubtful accounts as follows:

<u>Fund</u>	<u>Accounts Receivable</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Receivable</u>
Student tuition and fees	\$52,435	\$37,871	\$14,564
Auxiliary enterprises	833		833
Federal, state, and private grants and contracts	52,004		52,004
Other	500	500	
Total	<u>\$105,772</u>	<u>\$38,371</u>	<u>\$67,401</u>

During the year, the college began estimating an allowance for doubtful accounts. The college included in the allowance for doubtful accounts those balances outstanding for one year or more and 50% of the balances that are less than one year old.

LEGISLATIVE AUDITOR

SOUTH LOUISIANA COMMUNITY COLLEGE LOUISIANA COMMUNITY AND TECHNICAL COLLEGE SYSTEM STATE OF LOUISIANA Notes to the Financial Statements (Continued)

4. CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	Balance June 30, 2001	Adjustments	Restated Balance July 1, 2001	Additions	Deletions	Balance June 30, 2002
Capital assets, being depreciated:						
Furniture, fixtures, and equipment	\$782,049	(\$617,369)	\$164,680	\$36,605		\$201,285
Library books	97,760	(97,760)				
Total capital assets, being depreciated	879,809	(715,129)	164,680	36,605	NONE	201,285
Less accumulated depreciation for -						
furniture, fixtures, and equipment		(57,477)	(57,477)	(35,684)		(93,161)
Total accumulated depreciation	NONE	(57,477)	(57,477)	(35,684)	NONE	(93,161)
Total capital assets, being depreciated, net	879,809	(772,606)	107,203	921	NONE	108,124
Capital assets, net	\$879,809	(\$772,606)	\$107,203	\$921	NONE	\$108,124

The June 30, 2001, balance of capital assets has been adjusted by \$617,369 for movable property and \$97,760 for library books to reflect a change in the college's capitalization policy and by \$57,477 to recognize accumulated depreciation as of June 30, 2001. The Louisiana Division of Administration, Office of Statewide Reporting and Accounting Policy (OSRAP) revised its capitalization policy to include only those assets with an original acquisition cost of \$5,000 or more in the balance of fixed assets on which depreciation is calculated. In addition, under OSRAP's revised policy, library collections with a total acquisition cost of less than \$5 million are not capitalized and depreciated. GASB Statement No. 34 requires the recognition of depreciation on fixed assets, resulting in the recognition of accumulated depreciation for prior years.

5. ACCOUNTS PAYABLE AND ACCRUALS

Accounts payable and accruals at June 30, 2002, are as follows:

Vendors	\$187,202
Salaries and benefits	42,206
Total	<u>\$229,408</u>

**SOUTH LOUISIANA COMMUNITY COLLEGE
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Notes to the Financial Statements (Continued)

6. PENSION PLANS

Plan Description. Substantially all employees of the college are members of two statewide, public employee retirement systems. Academic employees are generally members of the Louisiana Teachers Retirement System (TRS), and classified/unclassified state employees are members of the Louisiana State Employees Retirement System (LASERS). Both plans are cost-sharing, multiple-employer defined benefit pension plans administered by separate boards of trustees. TRS and LASERS provide retirement, disability, and survivors' benefits to plan members and beneficiaries. Benefits granted by the retirement systems are guaranteed by the State of Louisiana by provisions of the Louisiana Constitution of 1974. Generally, all full-time employees are eligible to participate in the systems, with employee benefits vesting after 5 and 10 years of service in the TRS and LASERS, respectively. Article 10, Section 29 of the Louisiana Constitution of 1974 assigns the authority to establish and amend benefit provisions to the state legislature. The systems issue annual publicly available financial reports that include financial statements and required supplementary information for the systems. The reports may be obtained by writing to the Teachers Retirement System of Louisiana, Post Office Box 94123, Baton Rouge, Louisiana 70804-9123, or by calling (225) 925-6446 and/or the Louisiana State Employees Retirement System, Post Office Box 44213, Baton Rouge, Louisiana 70804-4213, or by calling (225) 922-0600.

Funding Policy. The contribution requirements of plan members and the college are established and may be amended by the state legislature. The legislature annually sets the required employer contribution rate equal to the actuarially required employer contribution as set forth in R.S. 11:102. Employees contribute 8% (TRS) and 7.5% (LASERS) of covered salaries. The state is required to contribute 13.1% of covered salaries to TRS and 13% of covered salaries to LASERS. The college's employer contribution is funded by the State of Louisiana through the annual appropriation to the college. The college's employer contributions to TRS for the years ended June 30, 2002, 2001, and 2000, were \$108,496, \$78,496, and \$64,042, respectively, and to LASERS for the years ended June 30, 2002, 2001, and 2000, were \$23,387, \$17,864, and \$10,837, respectively, equal to the required contributions for each year.

7. OPTIONAL RETIREMENT SYSTEM

R.S. 11:921 created an optional retirement plan for academic and administrative employees of public institutions of higher education. This program was designed to aid colleges in recruiting employees who may not be expected to remain in TRS for 10 or more years. The purpose of the optional retirement plan is to provide retirement and death benefits to the participants while affording the maximum portability of these benefits to the participants.

The optional retirement plan is a defined contribution plan that provides for full and immediate vesting of all contributions remitted to the participating companies on behalf of the participants. Eligible employees make an irrevocable election to participate in the optional retirement plan

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rather than the TRS and purchase retirement and death benefits through contracts provided by designated companies.

Total contributions by the college were 13.1% of the covered payroll. The participant's contribution (8%), less any monthly fee required to cover the cost of administration and maintenance of the optional retirement plan, is remitted to the designated company or companies. Upon receipt of the employer's contribution, the TRS pays over to the appropriate company or companies, on behalf of the participant, an amount equal to the employer's portion of the normal cost contribution as determined annually by an actuarial committee. The TRS retains the balance of the employer contribution for application to the unfunded accrued liability of the system. Benefits payable to participants are not the obligation of the State of Louisiana or the TRS. Such benefits and other rights of the optional retirement plan are the liability and responsibility solely of the designated company or companies to whom contributions have been made. Employer and employee contributions to the optional retirement plan totaled \$86,458 and \$52,359, respectively, for the year ended June 30, 2002.

8. CONTINGENT LIABILITIES

Obligations and losses arising from judgments, claims, and similar contingencies are paid through the state's self-insurance fund operated by the Office of Risk Management, the agency responsible for the state's risk management program or by General Fund appropriation. The college is not involved in any lawsuits at June 30, 2002.

9. DUE TO STATE TREASURY

The community college has \$42,147 due to the state treasury at June 30, 2002. This amount consists of \$39,647 in unexpended appropriations and \$2,500 in petty cash advances.

10. COMPENSATED ABSENCES

At June 30, 2002, employees of the college have accumulated and vested annual and sick leave benefits of \$100,888 and \$80,679, respectively, which were computed in accordance with GASB Codification Section C60. The leave payable is recorded in the accompanying financial statements. The following is a schedule of changes in the liability associated with compensated absences:

Balance as of June 30, 2001	\$168,425
Additions	18,934
Deletions	<u>(5,792)</u>
Balance as of June 30, 2002	<u>\$181,567</u>
Amounts due within one year	<u>\$2,232</u>

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11. OPERATING LEASES

For the year ended June 30, 2002, the community college expended \$177,573 to rent classroom and office space for the Lafayette campus. The future minimum annual rental payments for 2003, 2004, and 2005 are \$361,164; \$361,164; and \$3,010, respectively.

12. REVENUE LEASES

The college sub-leases space for the operation of a bookstore on the New Iberia campus. The lease term is for one year, and the minimum future rental for fiscal year 2003 is \$10,000.

13. NET ASSETS

The college had \$139,082 in restricted expendable net assets as of June 30, 2002, as follows:

Building Use fees	\$60,426
Technology fees	<u>78,656</u>
Total	<u>\$139,082</u>

The unrestricted net asset deficit of (\$70,324) resulted from the liability for compensated absences, which will be paid in future years from state appropriations to the college.

14. RESTATEMENT OF BEGINNING FUND BALANCES TO BEGINNING NET ASSETS

The beginning net assets as reflected on Statement B has been restated to reflect the state's change in its asset capitalization policy, the implementation of GASB Statement Nos. 34 and 35 and the reporting of the college as a business-type activity. In previous years, the college reported in accordance with the American Institute of Certified Public Accountants College Guide model. The effect of this change in accounting principle is as follows:

Fund balances at June 30, 2001:	
General Fund	(\$168,425)
Auxiliary Enterprises	31,264
Restricted Fund	88,130
Unexpended Plant	37,403
Investment in Plant Fund	<u>879,809</u>
Total fund balance at June 30, 2001	<u>868,181</u>

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Account balances affecting net assets at June 30, 2001:

Accrued summer salaries	(18,209)
Deferred tuition revenue	21,069
Adjustment for assets not capitalized	(715,129)
Accumulated depreciation	<u>(57,477)</u>

Net assets at July 1, 2001

\$98,435

15. FOUNDATION

The accompanying financial statements do not include the accounts of the South Louisiana Community College Foundation, Incorporated. This foundation is a separate corporation whose financial statements are subject to audit by independent certified public accountants.

16. DEFERRED COMPENSATION PLAN

Certain employees of South Louisiana Community College participate in the Louisiana Public Employees Deferred Compensation Plan adopted under the provisions of the Internal Revenue Code Section 457. Complete disclosures relating to the Plan are included in the separately issued audit report for the Plan, available from the Louisiana Legislative Auditor, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397.

17. ALTERNATIVE FINANCING AGREEMENT

On May 16, 2002, the Louisiana State Bond Commission approved the issuance of up to \$20,000,000 in bonds for the purpose of constructing a new SLCC campus. The Lafayette Public Trust Financing Authority plans to issue revenue bonds on behalf of the SLCC Facilities Corporation, a nonprofit organization. Pursuant to terms of a Ground Lease agreement, the corporation will lease the land from the Board of Supervisors of the Louisiana Community and Technical College System. The new facility will be leased by the corporation to the board in accordance with the provisions of an agreement to lease (Facilities Lease). In accordance with the facilities lease, the corporation on behalf of the board will develop and construct the new building and lease back the facilities to the board for use by students, faculty, and staff of the community college.

Future monies appropriated to the Louisiana Community and Technical College System will be used to fund the annual lease payments. The corporation's annual net debt service payments will be determined when the bonds are issued.

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18. SUBSEQUENT EVENTS

On August 14, 2002, Dr. Jan Campbell Brobst was appointed chancellor with an effective date of September 15, 2002. She replaced Dr. Doris Chretien, who was appointed interim chancellor when Dr. Ned Doffoney, the previous chancellor, resigned effective July 1, 2002.

**OTHER REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

The following pages contain a report on compliance with laws and regulations and on internal control as required by *Government Auditing Standards*, issued by the Comptroller General of the United States. This report is based solely on the audit of the financial statements and includes, where appropriate, any reportable conditions and/or material weaknesses in internal control or compliance matters that would be material to the presented financial statements.



OFFICE OF
LEGISLATIVE AUDITOR
STATE OF LOUISIANA
BATON ROUGE, LOUISIANA 70804-9397

DANIEL G. KYLE, PH.D., CPA, CFE
LEGISLATIVE AUDITOR

1600 NORTH THIRD STREET
POST OFFICE BOX 94397
TELEPHONE: (225) 339-3800
FACSIMILE: (225) 339-3870

November 1, 2002

Report on Compliance and on Internal Control Over Financial
Reporting Based on an Audit of the Financial Statements Performed
in Accordance With Government Auditing Standards

SOUTH LOUISIANA COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
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Lafayette, Louisiana

We have audited the financial statements of South Louisiana Community College, a college within the Louisiana Community and Technical College System, a component unit of the State of Louisiana, as of and for the year ended June 30, 2002, and have issued our report thereon dated November 1, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether South Louisiana Community College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed the following instances of noncompliance that are required to be reported under *Government Auditing Standards*.

**Inappropriate Reinstatement of Sick and Annual
Leave for Unclassified Employees**

South Louisiana Community College reinstated unused sick and annual leave to two employees hired in fiscal years 2000 and 2001 when the employees had been out of state service for over five years. Article VII, Section 14 of the 1974 Louisiana Constitution provides that except as otherwise provided by the constitution, the funds, credit, property, or things of value of the state or of any political subdivision shall not be loaned, pledged, or donated to or for any person, association, or corporation, public or private. With no legal obligation to do so, the community college reinstated 5,296 hours of unused leave to these employees, comprised of 723 hours of annual leave and 4,573 hours of sick leave. In addition, the community college gave the employees credit for prior service, allowing each employee to earn 7.38 hours of annual and 7.38 hours of

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Compliance and Internal Control Report

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sick leave every two weeks. A new employee with no prior service would have earned only 3.69 hours of annual and 3.69 hours of sick leave every two weeks.

The value of the reinstated annual leave is \$18,643 and reinstated sick leave is \$143,153, calculated at the employees' hourly pay rates of \$23.15 and \$34.98. Executive Order MJF 98-23, Unclassified State Employee Leave, allows leave to be reinstated if an unclassified employee is re-employed in state service within five years of his/her separation from state service. State Civil Service rules have the same guidelines for classified employees. Although the executive order allows an exception to the rules and policies for a system authorized by law to manage and supervise its own system, this order as well as State Civil Service rules could be considered a general guideline governing reinstatement rights of all state employees. The community college has no formal policy of its own and the leave policy issued by the Louisiana Community and Technical College System (LCTCS) does not address this issue. Reinstating this leave results in the undue enrichment of the two employees since the community college has no legal obligation to reinstate the leave or give the employees credit for prior service. Consequently, the community college may have violated the provisions of Article VII, Section 14 of the Louisiana Constitution.

South Louisiana Community College should develop and implement formal written policies and procedures for unclassified employees addressing their reinstatement rights and the community college's obligations. This policy should address the time period during which an employee will receive credit for any leave balances that were not paid at the time of his/her separation from prior service. This policy should be designed in such a manner that it will comply with state laws and regulations and should be approved by the LCTCS. Management concurred with finding and recommendation and outlined a corrective action plan (see Appendix A, page 1).

Weaknesses in Controls Over Movable Property

For the second consecutive year, South Louisiana Community College did not maintain adequate internal control over movable property to ensure compliance with the state's movable property laws and regulations. Louisiana Administrative Code (LAC) 34:VII:307-311 requires, in part, that (1) all qualified movable property be tagged and all pertinent inventory information be reported to the Louisiana Property Assistance Agency (LPAA) within 60 days of receipt of property; and (2) the location of movable property items be tracked and kept current. Furthermore, good internal control requires that movable property records be periodically reconciled to the accounting records to ensure proper recording and reporting of assets and that access to movable property data be promptly removed when an individual terminates employment. At June 30, 2002, the

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community college is responsible for approximately \$947,000 of movable property. Various tests of movable property records disclosed the following weaknesses:

1. Thirteen (16%) of 81 current year acquisitions totaling \$23,475 were reported to LPAA from 72 to 156 days after receipt of the property.
2. In a test to locate 25 movable property items, the following errors were noted:
 - Two (8%) items had incorrect serial numbers recorded in LPAA records.
 - Five (20%) items were not at the location indicated in LPAA records.
 - Sixteen (64%) items were tracked by department location codes. This tracking method is inefficient and requires searching multiple offices to locate each piece of property. The method also inhibits the community college from identifying missing property in a timely manner.
3. No monthly reconciliation of LPAA reports to the community college's accounting records was performed.
4. Three individuals still had active user identification (ID) codes that allowed access to the LPAA system even though they terminated employment in fiscal years 2000 and 2001. In addition, two current employees informed us that they shared the user ID and password of one of the terminated employees to enter movable property transactions into the LPAA system.

These conditions occurred because management has not established adequate controls over this function. Failure to tag timely, to maintain accurate movable property records, to reconcile to monthly LPAA reports, and to properly monitor and restrict access to the LPAA system increases the risk of loss from unauthorized use and theft, prevents timely detection of errors, and subjects the community college to noncompliance with state regulations.

Management should develop and implement adequate internal control over movable property to ensure compliance with movable property regulations as prescribed by state laws. Management concurred with the finding and recommendation and outlined a corrective action plan (see Appendix A, page 2).

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Internal Control Over Financial Reporting

In planning and performing our audit, we considered the South Louisiana Community College's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter described below involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the South Louisiana Community College's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Weaknesses in Controls Over Payroll

South Louisiana Community College has not established adequate internal control over its payroll/personnel function. A good system of internal control includes written policies and procedures that provide designated hours of work; supervisory review and approval of transactions; proper supporting documentation for leave, including medical certifications for extended periods of sick leave; and proper separation of payroll and personnel information. Our review of payroll/personnel records for fiscal year 2002 disclosed the following conditions:

1. Dr. Ned Doffoney, the former South Louisiana Community College chancellor, completed the last five weeks of his employment on sick leave that was not medically certified. On April 16, 2002, Dr. Doffoney notified the Board of the LCTCS that, effective July 1, 2002, he was resigning as South Louisiana Community College chancellor. Beginning May 28, 2002, he went on sick leave status and used 192 hours of sick leave through June 28, 2002. When he terminated state service July 1, 2002, he was paid \$12,371 for approximately 263 hours of unused annual leave, calculated at an hourly rate of \$47. A review of his time and attendance records during this period disclosed the following:
 - No medical certification was on file to support his sick leave status.
 - He did not sign the leave slip on file for the last five days of sick leave taken.

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- He logged 350 miles in a state vehicle during the period he was on sick leave.

The leave policy of the LCTCS does not address extended periods of sick leave. The community college's policy states that supervisors may require medical certifications for three or more days of sick leave. Without medical certifications, the community college has no assurance that extended periods of sick leave taken by its employees are justified. Management should request the former chancellor to either provide this certification or to reimburse the community college \$9,024 for 192 hours of annual leave for which he was paid that would have been used in lieu of the uncertified sick leave.

2. No written policy exists that designates the normal work hours or options of work hours available to employees. Also, time and attendance records do not include employees' times of arrival at work and departure from work. Without this information, management cannot be assured that employees work the hours they should work, earn compensatory time properly, and are paid overtime properly.
3. No backup timekeeper is assigned to enter time and attendance data when the primary timekeeper is absent.
4. No independent review was made of master record changes entered into the payroll system by the timekeeper.
5. Confidential personnel information is maintained in payroll files in the payroll section rather than in separate files in the human resource section.

These conditions occurred because management has not placed sufficient emphasis on internal control over the payroll function. Lack of written policies and procedures and inadequate supervision, review, approval, and documentation of payroll/personnel transactions increase the risk of errors and/or fraud occurring and not being detected timely.

Management should develop and implement written policies and procedures to ensure good internal control over the payroll/personnel function. Management concurred with the finding and recommendation and outlined a corrective action plan (see Appendix A, page 3).

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Compliance and Internal Control Report

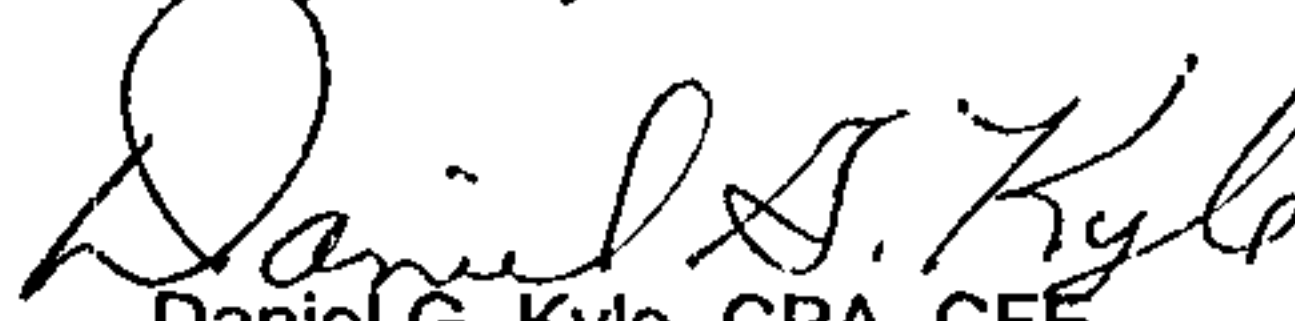
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A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described previously are material weaknesses.

This report is intended solely for the information and use of the South Louisiana Community College and its management and is not intended to be, and should not be, used by anyone other than these parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,


Daniel G. Kyle, CPA, CFE
Legislative Auditor

EPM:BMCC:PEP:dl

[SLCC02]

Appendix A

Management's Corrective Action Plans and Responses to the Findings and Recommendations



SOUTH LOUISIANA COMMUNITY COLLEGE

October 23, 2002

Dr. Daniel G. Kyle, CPA, CFE
Legislative Auditor
Post Office Box 94397
Baton Rouge, Louisiana 70804-9397

**Re: Inappropriate Reinstatement of Sick and Annual
Leave for Unclassified Employees**

Dear Dr. Kyle:

In response to the above-referenced audit finding, South Louisiana Community College (SLCC) submits the following:

RESPONSE:

South Louisiana Community College agrees with the audit findings and recommendations. The personnel files document that SLCC requested certification of leave for the two referenced employees and verification of this leave was received by SLCC. However, there was no formal written policy outlining the employees reinstatement rights.

CORRECTIVE ACTIONS:

SLCC will develop, submit to LCTCS for approval and implement written policies and procedures concerning reinstatement of leave.

The person responsible for corrective action is Dr. Doris Chretien, Executive Vice Chancellor. If you have any questions regarding our response, please advise.

Sincerely,

A handwritten signature in cursive script that reads "Jan Brobst".

Jan Brobst, PhD
Chancellor

A Member of the Louisiana Community and Technical College System

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SOUTH LOUISIANA COMMUNITY COLLEGE

October 15, 2002

Dr. Daniel G. Kyle, CPA, CFE
Legislative Auditor
Post Office Box 94397
Baton Rouge, Louisiana 70804-9397

Re: Weaknesses in Controls over Movable Property

Dear Dr. Kyle:

In response to the above-referenced audit finding, South Louisiana Community College (SLCC) submits the following:

RESPONSE:

South Louisiana Community College agrees with the audit findings and recommendations.

CORRECTIVE ACTIONS:

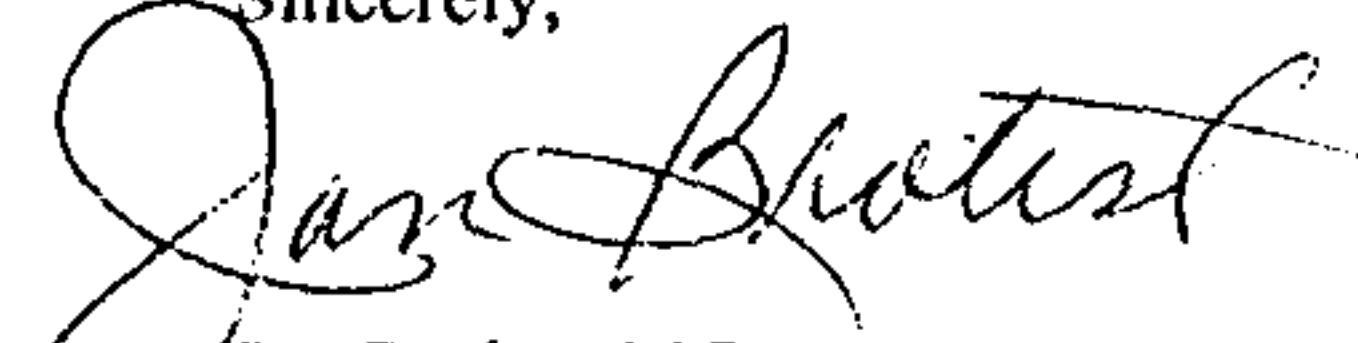
The 2000-01 audit exit conference was held in April 2002 and the final audit was issued June, 2002. SLCC immediately started an internal review based upon the 2000-01 recommendations.

On May 28, 2002 the employee responsible for maintaining the LPAA files was in an automobile accident and has not returned. Due to limited human resources, the responsibility for maintaining the LPAA files was temporarily assigned to the Business Manager until a Property Manager could be hired.

On July 1, 2002, SLCC hired an experienced Property Manager. Since that time all property functions have been centralized, reconciliations are performed monthly, new procedures have been implemented for tracking movable property and forms have been processed to update employee access to the LPAA system.

The person responsible for corrective action is Mary Morale, Vice Chancellor for Administration and Finance. If you have any questions regarding our response, please advise.

Sincerely,


Jan Brobst, PhD
Chancellor

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SOUTH LOUISIANA COMMUNITY COLLEGE

October 25, 2002

Dr. Daniel G. Kyle, CPA, CFE
Legislative Auditor
Post Office Box 94397
Baton Rouge, Louisiana 70804-9397

Re: Weakness in Controls over Payroll

Dear Dr. Kyle:

In response to the above-referenced audit finding, South Louisiana Community College (SLCC) submits the following:

RESPONSE:

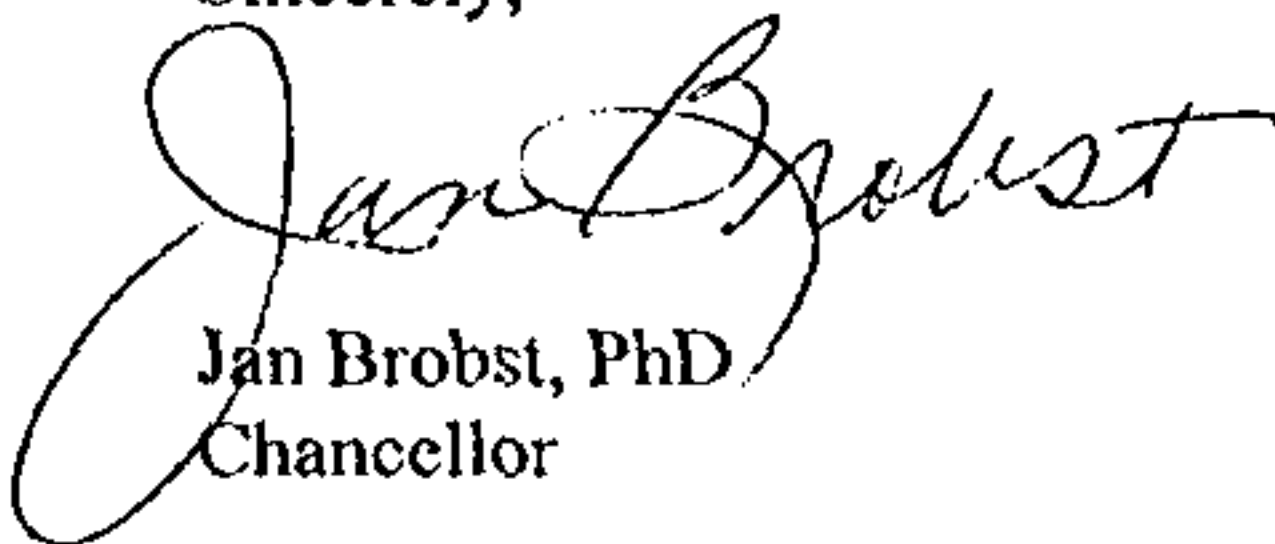
South Louisiana Community College agrees with the audit findings and recommendations. As stated in the audit finding concerning the former chancellor's sick leave, SLCC's policy is that supervisors may require medical certifications for 3 or more days of sick leave. This policy makes the requirement optional for the supervisor; there is no SLCC record that a request for certification was made.

CORRECTIVE ACTIONS:

Prior to making a request to the former chancellor, SLCC will request a legal opinion concerning how to proceed with certification of leave or reimbursement of the amount paid for leave. SLCC will develop, submit to LCTCS for approval and implement written policies and procedures concerning designated work hours. A backup timekeeper has been identified. With the conversion to PeopleSoft, all measures will be taken to ensure adequate internal control, including a review of master record changes. The payroll and human resources files have been separated.

The person responsible for corrective action is Mary Morale, Vice Chancellor for Administration and Finance. If you have any questions regarding our response, please advise.

Sincerely,


Jan Brobst, PhD
Chancellor

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